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MEMORANDUM FOR: Executive Director

FROM: Harry E. Fitzwater
Deputy Director for Administration

SUBJECT: Policy Concerning Agency Position Average Grade

REFERENCE: Memo to DDA et al fm ExDir, dtd 6 Nov 85,
Same Subject

HUMAN RESOURCES
1-6

1. As you are aware, I approved the policy which is the subject of your referent memorandum. I continue to believe that the policy I established serves to focus Agency management on their planning responsibilities in the personnel areas, as well as the broader program areas which have typically been the focus of the budget process.

2. The aspect of the average grade policy which the Inspector General (IG) has taken exception with is the restriction on the use of deferred allocations by the Position Management and Compensation Division (PMCD) to implement reorganizations or ad hoc position evaluations outside of the formal survey process. There seems to be a concern that this restriction will in some way inhibit the ability of management to respond to new requirements which have not been anticipated in the budget process. It is precisely this need to respond quickly to unanticipated requirements that is the heart of our personnel system, i.e., the rank-in-person system which the Agency has followed since its inception. Using this rank-in-person personnel system, we can always move both personnel and positions with only minimal regard for either position or personnel grades. I appreciate the concerns that the IG has raised, but I don't believe the restriction on the use of deferred allocations in a reorganization or ad hoc situation will preclude us from responding to priority needs.

3. On the other hand, to return to our former policy of unrestricted use of deferred allocations will inevitably lead to a new crunch on average grade even if the Office of Management and Budget (OMB) approves our current request. Deferred allocations give us neither an increase in average grade nor any increased headroom. If our current request for an increase in average grade is not approved by OMB, then we have only that headroom created within our current average grade. No number of deferred allocations will change this fact, and continuing to add them in an uncontrolled manner as we have been doing for the past several years will result only in unfulfilled expectations on the part of our employees. As with any resource, our position average grade must be reallocated to meet unprogrammed requirements if we are unable to obtain external relief. The policy I outlined places this reality in action. The use of deferred allocations to meet unprogrammed requirements ignores this reality.

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4. It seems to me that the IG has missed a major point in its review of our average grade control policy; i.e., that management is responsible for and should play a greater role in position management. The new policy we are operating under is intended to give managers the flexibility to distribute resources as necessary to meet new requirements within their average grade allocation. In any Directorate, needs and priorities change with time so that as one area grows, another is declining. By identifying those areas of lesser priority in order to meet new requirements, management has the opportunity to review its needs and reallocate resources. In addition, if a Deputy Director is unable because of extraordinary circumstances to meet the Directorate's needs from within, then an exception may be granted by the Director of Personnel to make reallocations within Agency average grade using the limited Agency grade point reserves.

5. The reason that I have differentiated the reorganization/ad hoc situation from the survey is that in a reorganization or ad hoc situation, PMCD is not in a position to identify specific areas where responsibilities may have declined or where work may be reorganized to require fewer resources. In a survey situation, on the other hand, PMCD sees the whole organization and is in a strong position to assess organizational effectiveness and make systematic recommendations to improve position management. In the survey situation, I believe it is still useful to identify positions as warranting upgrade using a deferred allocation in those cases where internal average grade is not available. In this situation, PMCD has evaluated the entire organization and has validated the structure of the organization. This validation provides a basis for requesting the additional average grade through the budget process. Deferred allocations in this situation have a three-year time limit to correspond to the program cycle, and if additional average grade cannot be obtained, then management must reallocate resources internally to eliminate deferred allocations and again get the organization within Agency average grade limitations.

6. I believe that the policy about which the IG has expressed concern can lead to more effective and efficient use of our personnel resources. Furthermore, I believe that through the use of the budget process we can successfully meet our needs for position average grade required. The use of the deferred allocation has led to an atmosphere of complacency on the position side of the budget process and has not served the purpose for which it was established. Therefore, I stand by the average grade policy.

/s/ Harry E. Fitzwater

Harry E. Fitzwater

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